

108TH CONGRESS  
2D SESSION

# H. R. 4370

To ensure that the Direct Loan Program is a competitive alternative to the Federal Family Education Loan Program for schools and students.

---

## IN THE HOUSE OF REPRESENTATIVES

MAY 17, 2004

Mr. PETRI (for himself and Mr. GEORGE MILLER of California) introduced the following bill; which was referred to the Committee on Education and the Workforce

---

## A BILL

To ensure that the Direct Loan Program is a competitive alternative to the Federal Family Education Loan Program for schools and students.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Direct Loan Reward  
5 Act of 2004”.

6 **SEC. 2. DIRECT LOAN REWARD PROGRAM.**

7 Part D of title IV of the Higher Education Act of  
8 1965 (20 U.S.C. 1087a et seq.) is amended by adding at  
9 the end the following:

1 **“SEC. 460A. DIRECT LOAN REWARD PROGRAM.**

2 “(a) PROGRAM AUTHORIZED.—The Secretary shall  
3 carry out a Direct Loan Reward Program to encourage  
4 institutions of higher education to participate in the stu-  
5 dent loan program under this part.

6 “(b) PROGRAM REQUIREMENTS.—In carrying out the  
7 Direct Loan Reward Program, the Secretary shall—

8 “(1) provide to each institution of higher edu-  
9 cation participating in the student loan program  
10 under this part a financial reward payment, in an  
11 amount determined in accordance with subsection  
12 (c), to encourage the institution to provide student  
13 loans under this part;

14 “(2) require each institution of higher edu-  
15 cation receiving a payment under this section to pro-  
16 vide student loans under this part for a period of 5  
17 years from the date the payment is made;

18 “(3) require that funds paid to institutions of  
19 higher education under this section be used to award  
20 students a supplement to such students’ Pell Grants  
21 under subpart 1 of part A; and

22 “(4) for a period of 2 years beginning on the  
23 date of enactment of this section, encourage all insti-  
24 tutions of higher education to participate in the Di-  
25 rect Loan Reward Program.

1       “(c) AMOUNT.—The amount of a financial reward  
2 payment under this section shall be an amount equal to  
3 50 percent of the savings to the Federal Government gen-  
4 erated by the institution’s participation in the student loan  
5 program under this part instead of the institution’s par-  
6 ticipation in the student loan program under part B.

7       “(d) TRIGGER TO ENSURE COST NEUTRALITY.—

8               “(1) LIMIT TO ENSURE COST NEUTRALITY.—  
9       Notwithstanding subsection (c), the Secretary shall  
10 not distribute financial reward payments under the  
11 Direct Loan Reward Program that, in the aggre-  
12 gate, exceed the Federal savings resulting from im-  
13 plementation of the Direct Loan Reward Program.

14               “(2) FEDERAL SAVINGS.—In calculating Fed-  
15 eral savings, as used in paragraph (1), the Secretary  
16 shall determine any Federal savings on loans made  
17 to students at institutions of higher education that  
18 participate in the Direct Loan Reward Program and  
19 that, on the date of enactment of the Direct Loan  
20 Reward Program, participated in the student loan  
21 program under part B, resulting from the difference  
22 of—

23                       “(A) the Federal cost of loan volume made  
24                       under this part; and

1           “(B) the Federal cost of an equivalent type  
2           and amount of loan volume made, insured, or  
3           guaranteed under part B.

4           “(3) DISTRIBUTION RULES.—If the Federal  
5           savings determined under paragraph (2) is not suffi-  
6           cient to distribute full financial reward payments  
7           under the Direct Loan Reward Program, the Sec-  
8           retary shall—

9           “(A) first make financial reward payments  
10          to those institutions of higher education that  
11          participated in the student loan program under  
12          part B on the date of enactment of the Direct  
13          Loan Reward Program; and

14          “(B) with any remaining Federal savings  
15          after making payments under subparagraph  
16          (A), make financial reward payments to the in-  
17          stitutions of higher education not described in  
18          subparagraph (A) on a pro-rata basis.

19          “(4) DISTRIBUTION TO STUDENTS.—Any insti-  
20          tution of higher education that receives a financial  
21          reward payment under this section shall distribute  
22          such payment among the students of such institu-  
23          tion who are Pell Grant recipients by awarding each  
24          such student an equal supplemental grant. Such

1 supplemental grant shall be known as a ‘Pell Re-  
2 ward’.

3 “(5) CARRY OVER.—Any institution of higher  
4 education that receives a reduced financial reward  
5 payment under paragraph (3)(B), shall remain eligi-  
6 ble for the unpaid portion of such institution’s finan-  
7 cial reward payment, as well as any additional finan-  
8 cial reward payments for which the institution is  
9 otherwise eligible, in subsequent fiscal years.”.

○